

## § 956.6

- (a) Derivative contracts;
- (b) Standby letters of credit, pursuant to the requirements of 12 CFR part 961;
- (c) Forward asset purchases and sales;
- (d) Commitments to make advances; and
- (e) Commitment to make or purchase other loans.

[66 FR 8320, Jan. 30, 2001]

### § 956.6 Use of hedging instruments.

(a) *Applicability of GAAP.* Derivative instruments that do not qualify as hedging instruments pursuant to GAAP may be used only if a non-speculative use is documented by the Bank.

(b) *Documentation requirements.* (1) Transactions with a single counterparty shall be governed by a single master agreement when practicable.

(2) A Bank's agreement with the counterparty for over-the-counter derivative contracts shall include:

(i) A requirement that market value determinations and subsequent adjustments of collateral be made at least on a monthly basis;

(ii) A statement that failure of a counterparty to meet a collateral call will result in an early termination event;

(iii) A description of early termination pricing and methodology, with the methodology reflecting a reasonable estimate of the market value of the over-the-counter derivative contract at termination (standard International Swaps and Derivatives Association, Inc. language relative to early termination pricing and methodology may be used to satisfy this requirement); and

(iv) A requirement that the Bank's consent be obtained prior to the transfer of an agreement or contract by a counterparty.

[66 FR 8321, Jan. 30, 2001]

## PART 960—OFF-BALANCE SHEET ITEMS [RESERVED]

## 12 CFR Ch. IX (1–1–02 Edition)

### PART 961—STANDBY LETTERS OF CREDIT

Sec.

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AUTHORITY: 12 U.S.C. 1422b, 1429, 1430, 1430b, 1431.

SOURCE: 63 FR 65699, Nov. 30, 1998, unless otherwise noted. Redesignated at 65 FR 8256, Feb. 18, 2000.

#### § 961.1 Definitions.

As used in this part:

*Applicant* means a person or entity at whose request or for whose account a standby letter of credit is issued.

*Beneficiary* means a person or entity who, under the terms of a standby letter of credit, is entitled to have its complying presentation honored.

*Confirm* means to undertake, at the request or with the consent of the issuer, to honor a presentation under a standby letter of credit issued by a member or housing associate.

*Document* means a draft or other demand, document of title, investment security, certificate, invoice, or other record, statement, or representation of fact, law, right, or opinion that is presented under the terms of a standby letter of credit.

*Issuer* means a person or entity that issues a standby letter of credit.

*Presentation* means delivery of a document to an issuer, or an entity that has undertaken a confirmation at the request or with the consent of the issuer, for the giving of value under a standby letter of credit.

*Residential housing finance* means:

(1) The purchase or funding of “residential housing finance assets,” as that term is defined in § 950.1 of this chapter; or

(2) Other activities that support the development or construction of residential housing.

*SHFA associate* means a housing associate that is a “state housing finance